

# Redevelopment Plan – Phase 1

## Lynchburg Community Market

Prepared for:  
City of Lynchburg, Virginia  
Department of Parks & Recreation

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## Introduction and Goals

In February 2006, the City of Lynchburg Department of Parks and Recreation retained a planning and design team led by Calloway Johnson Moore & West (CJMW) to undertake a redevelopment of the historic Lynchburg Community Market, including both the interior market hall and the outdoor plaza that includes the farmers' market. Market Ventures, Inc., as a subconsultant to CJMW, had primary responsibility for the first phase of the redevelopment effort focused on merchandising and business planning. This report summarizes the work and recommendations of Market Ventures, Inc. for this initial planning phase.

The City of Lynchburg owns the Lynchburg Community Market, which is housed in the historic downtown Armory Building and the adjacent plaza. The city's Department of Parks and Recreation operates the Community Market and has focused on improving the Market over the past several years. The leadership of the department enunciated these goals for the redevelopment effort:

- Help Lynchburg Community Market realize its potential as a public market and a public space;
- Make the Market successful six days per week;
- Ensure that the Market supports the investments and revitalization of the area around 12<sup>th</sup> and Main Streets; and
- Build on the community planning effort focused on the Market over the past few years.

Before the physical redevelopment planning commenced, it was determined that targeted planning work was needed to determine the preferred program for the site and create a strategy for operating the redeveloped facility. Therefore, Phase 1 of the redevelopment plan included four principal components:

1. Merchandising plan – to establish a preferred mix of businesses and uses for the Community Market.
2. Design concept – to create an initial schematic plan for physical reconfiguration and upgrade that supports the merchandising plan.
3. Business plan – to develop an operating strategy and budget that leads to operational improvements and approaches financial self-sufficiency.
4. Sponsorship and management plan – to create a nonprofit model of sponsorship and management that could replace the city's management of the Market.

While these components are presented sequentially in this report, the planning effort is actually an iterative process. Each of the four elements has influenced the other in order to come up with an optimum plan based on the project's goals and the available opportunities.

## *Methods*

As per its scope of services, Market Ventures, Inc. undertook the following tasks:

1. Review of existing Community Market operations, vendor mix, stall layout, circulation and equipment, as well as parking and site access.
2. Creation of operating and redevelopment goals.
3. Competitive analysis, including exploration of retail options for fresh food around Lynchburg, particularly locally grown and produced items.
4. Trend analysis, such as recent Market trends in terms of sales, changes to the district around the Market, and broader trends in food retailing.
5. Customer focus groups with frequent and infrequent Market shoppers of various ages, ethnicities, work and home locations, and gender.
6. Customer demand analysis divided by trade areas.
7. Supply analysis of potential new vendors for the Community Market.

In addition to relying on its experience with public market development and operations nationwide, Market Ventures, Inc. conducted a number of market research activities to understand the redevelopment potential for the Lynchburg Community Market. Primary research included focus groups, interviews with vendors, farmers, city staff, and area food experts, and direct observations. Secondary research included analysis of demographic information and review of previous studies, including Project for Public Spaces, “Lynchburg Community Market: Issues and Opportunities,” (September 2004) and Sasaki Associates, “Lynchburg Downtown and Riverfront Master Plan 2000,” (December 2000). The research team also analyzed the site and its environs, inspected competitive food businesses in the region, and reviewed regional and national trends. The Department of Parks and Recreation provided recent operating data and research they had conducted into nearby rental rates.

The redevelopment plan includes financial statements for each proposed permanent market hall tenant and a three year operating statement for the Market. Our guideline for estimates has been “realistic;” that is, neither unduly optimistic nor conservative.

The Market Ventures, Inc. project staff included Ted Spitzer and Hugh Boyd, FAIA. Emmett Lifsey of CJMW led the planning and design team. We recognize and appreciate the information and guidance provided by Kay Frazier, Carleen Dixon, and Nancy Brockman of the Lynchburg Department of Parks and Recreation, as well as the input from the Community Market Advisory Committee. This report was written by Ted Spitzer.

## *Goals*

One of the defining characteristics of a public market is that it has public goals. These goals are typically expressed in a mission statement. Clearly enunciated goals are particularly

important as the Community Market transitions to nonprofit management because nonprofits are mission-driven organizations. A clearly stated and easily memorized mission statement is important for communicating the purpose and intent of the Market to all of its constituents. These goals should guide both the redevelopment of the Market and its ongoing operation. Furthermore, these goals become the gauge by which to judge the success of the Market over time.

The mission statement needs to be carefully considered by the Market's new sponsoring organization and adopted after appropriate deliberation. Based on the vision for the Community Market expressed by local officials, vendors, and residents, the following mission statement is proposed as a starting place:

The mission of the Lynchburg Community Market is:

- To perpetuate Lynchburg's historic public market activity;
- To support local agriculture;
- To help revitalize downtown Lynchburg;
- To provide opportunities to small, local businesses; and
- To provide a public gathering place and celebrate the region's food traditions.

In addition to the Market's mission, the redevelopment plan also embraces financial goals. According to the Department of Parks and Recreation, the current annual city subsidy to the Community Market is approximately \$200,000. The city has also invested capital funds into the Market over the years, including recent improvements in ventilation and air conditioning. As an important public amenity akin to a park, it is expected that the city might need to continue to subsidize the public spaces of the Market in future years. However, the financial goal of the redevelopment plan is to minimize subsidy and ensure that vendors in the Market pay reasonable, market-rate rents for their space, in keeping with the Market's goal of supporting small local businesses. Ideally, the reduction in city subsidy can be used to offset debt service that the city will incur to improve the Market as part of the redevelopment plan.

## **Market Research**

### *Focus groups*

Market Ventures, Inc. conducted two focus groups in February 2006. Participants were recruited by the Department of Parks and Recreation. The focus groups took place in the new focus group facilities at Lynchburg College and were videotaped for later analysis.

The purpose of the focus groups was to understand how different people in and around Lynchburg perceive the Community Market and how they currently utilize the Market, and to

solicit their ideas for improvements. The focus groups also explored participants' attitudes to farmers and the idea of locally grown foods and specialty foods. The research tested supported for physical changes to the Market.

Principal conclusions were:

- Confirmed that the Community Market is perceived as “two markets” – the Saturday market, which is very popular and universally loved; and the weekday market, which evoked more ambivalence.
- The Market has a strong emotional attachment to long time Lynchburg residents, who feel it is a critical link to the city's history and traditions.
- There is little support for the current crafts, which were described as “junk” and “nanny crafts”, but there was strong interest in having more high quality crafts at the Market.
- There is great support for making physical improvements to the Market but they don't want it to change too much. There was interest in keeping the Market simple and historical, while improving bathrooms, adding more lighting, and making the space feel less cold.
- Participants liked the idea of a plaza without customer parking but were concerned about parking in general.
- Overall, participants expressed low expectations about what the Market should be but believe that it has high potential.
- There was a variety of attitudes about operating hours, but general support for longer hours. While some customers would like the farmers' market to open later in the morning and stay open later in the afternoon, others felt the Market should serve the needs of farmers, which they perceived as meaning the Market should open very early.
- The participants felt that many people they know are not aware of the Market and it will need to be reintroduced once improvements are made.
- Overall, there is not a strong culture of local foods. While nearly all of the participants like shopping from farmers at the Market, they do not have a general ethic about local foods and they do not seek out local foods elsewhere.
- The Market is perceived as a good place for community events and they support having more events there.

### *Observations*

The project team visited the Community Market four times since August 2005. During a visit in September 2005, the team observed the Market in operation on a Saturday. Large crowds were flocking to farmers under the outdoor shed and there was a brisk trade among the farmers on the front row inside the market hall.



Not every farmer was busy, however. Those with limited product offerings and poor displays did not attract buyers.



Similarly, the restaurants attract a loyal following and several are quite busy operations. At times, all of the tables are filled with customers. However, the placement of the restaurants at both ends of the Market deprives them of the synergy that could be created if they were near each other.



The Market's indoor/outdoor connections are problematic. The existing setback makes the entrance to the Market uninviting. The garage doors are no longer an accepted design solution for a food market because they let in flies and birds.



A major problem with the Market are the craft tables. For much of the week and even on Saturdays, they can be empty, even though the stalls have been rented. This emptiness seriously erodes the shopping experience.



Even when these spaces are filled, the products are weak and do not enhance the Market experience. Sometimes, the vendors are even asleep – and this was on a busy Saturday in September!



The project team also observed other operational problems with the Market. Last September, light fixtures were covered with filth, construction materials were left out even when contractors were not working, and windows are very dirty.



### *Customer demand analysis*

The purpose of the customer demand analysis is to quantify the potential demand for fresh and prepared foods at the Lynchburg Community Market and then estimate how many square feet of retail space can be supported by the demand.

Demand analysis consists of defining the Market's trade areas, evaluating the demographics of the residents of the different trade areas, and analyzing buying behavior in order to estimate potential expenditures for the different products that potentially could be sold in the Market. Both the experience of other public markets and the characteristics of Lynchburg helped shape the trade area decision.

Three trade areas were determined for the Market. The first is a ½ mile radius around the site. This is a walkable area and encompasses the new downtown housing. The second trade area is a band between ½ mile and 5 miles. This band can be considered conveniently located to the Market, generally as close as other fresh food and restaurant shopping options. The final trade area is a band between 5 and 20 miles around the site. This is a typical zone from which successful public markets draw the majority of their customers. 20 miles encompasses much of the Lynchburg metropolitan area, although it is recognized that Lynchburg acts as a central place for a larger, predominately rural area in adjoining counties and customers might travel to the Market from these outlying areas.

In addition to these trade areas, the demand analysis also includes estimates of potential patronage by tourists (which, for the purposes of this analysis, are defined as anyone beyond the 20 mile radius), and considers the potential utilization of the Market by downtown workers.

According to research conducted at other downtown public markets, public markets attract a wide range of shoppers in terms of age, ethnicity, and income level. In general, families buy more fresh food than individuals or people living in unrelated households, and people with higher income levels (\$50,000 and above) are more frequent shoppers and spend more than people with lower incomes. The highest spending customer is typically a 40 to 55 year old woman. What is unique about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While higher income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices.

Demographic data about the three trade areas were acquired from Claritas, a national market research data company. The acquired data include 2000 and 1990 U.S. Census information, estimates developed by Claritas for 2005, and projections for 2010. Data from the three trade areas are summarized in the chart below:

	Trade Area		
	0.5 mile ring	0.5-5 mile band	5-20 mile band
Population 2000 census	2,236	65,855	106,264
Population 2005 estimate	2,265	64,728	109,271
Population 2010 projection	2,287	64,001	111,993
Population change 2005-2010	1.0%	-1.1%	2.5%
Households 2005	829	25,599	43,172
Average household size	2.11	2.27	2.49
Median age	37.25	35.94	38.76
Average household income	\$27,710	\$46,991	\$57,188
Household income >\$50,000/yr	14.7%	30.6%	45.9%
Age 35-64	38.1%	33.9%	42.4%

*Trade area 1: One-half mile ring*

2005 population for the one-half mile radius is estimated at 2,265 people, which represents a slight 1.3% increase from the 2000 Census count of 2,236. The population is expected to increase only another 1.0% by 2010, to 2,287 people. By comparison, the population of the United States grew 4.9% between 2000 and 2005 and is expected to grow another 4.9% between 2005 and 2010. This trade area has only 829 households, with an average household size of 2.11, which is small compared to the national average. Only 383, or 46%, of these households are families, which is problematic because families typically buy more fresh food than shoppers in unrelated households.

The median age of the population, at 37.3, is older than the national median of 36.2. 38.1% of the population is in the targeted age range of 35 to 64. In addition, average household income in the area is very low, at \$27,710, and average household income is only expected to increase 8.5% over the next five years, compared to an increase of 13.0% nationally over the same period. Only 14.7% of the households in this area have household income of \$50,000 or more.

Educational attainment is often used as an indicator of interest in high quality and specialty foods. Within this trade area, it is estimated that only 3.6% of the population age 25 and over has earned a Master's, Professional, or Doctorate degree and 5.9% has earned a Bachelor's degree. By comparison, 8.9% of the US population has earned a higher degree and 15.7% a Bachelor's degree.

These demographics are generally very weak for a fresh food market. According to data provided by Lynch's Landing, there are 362 housing units in the downtown, with 67 units under construction next to the Community Market. Even if these new households have higher incomes than the downtown population in general, the relatively small number of households will not fundamentally alter the demand for foods in the Community Market.

The one-half mile ring also includes downtown workers. According to the Sasaki Downtown and Riverfront Master Plan 2000, the workforce population will increase by 2,000 employees over the existing 4,000 downtown employees when the plan is fully built out. If the

projection is correct, these new downtown workers can substantially help the restaurants and retail businesses within the Community Market, although the plan also anticipates additional restaurant and retail in the downtown, which will increase competition.

*Trade area 2: Area between one-half mile ring and 5 mile ring*

The 2005 population is estimated at 64,728 people, which represents a 1.7% decline from the 2000 Census count of 65,855. The population is expected to decrease another 1.1% by 2010. These declines follow a decrease of 2.5% between 1990 and 2000.

The median age of 35.9 is approximately the same as the national average of 36.2. 33.9% of the population is in the 35-64 age range, a lower percentage than the one-half mile radius, in part because of the large percentage of student-age residents who attend area colleges.

The population is currently divided into 25,599 households with an average size of 2.27 people, which is higher than the one-half mile ring's average of 2.11 but lower than the 5-20 mile band of 2.49. Unlike the one-half mile ring, which had only 46% of family households, in this trade area 61% are family households. The average household income of \$46,991 is well above the one-half mile ring \$27,710 but still well below the national average of \$64,816. At present, 30.6% of the households earn more than \$50,000. Over the next five years, income growth is expected to be 8.3%, again well below the US average of 13.0%.

Within this trade area, it is estimated that 8.1% of the population age 25 and over has earned a Master's, Professional, or Doctorate degree and 13.4% had earned a Bachelor's degree. These rates are much higher than the one-half mile ring but still below the US average of 8.9% having earned a higher degree and 15.7% a Bachelor's degree.

While better than the one-half mile ring, these demographics are mediocre for a public market. In particular, the expected drop in population and the relatively weak income growth do not provide much new demand for food.

*Trade area 3: Area between 5 mile radius and 20 mile radius*

The 20-60 mile band contains about 112,000 people divided into 43,172 households. This population grew by 2.83% between 2000 and 2005 and is expected to increase another 2.49% by 2010. Unlike the two other trade areas which saw declines, this trade area experienced rapid population growth between 1990 and 2000, when the population grew by 18.7%

The median age of 38.8 is older than the national average of 36.2. Average household income of \$57,188 is higher than the other areas but still below the national average of \$64,816. Over the next five years, it is expected to increase 9.5 % increase, compared to the national average growth of 13.0%. At present, 45.9% of the population has annual household income of more than \$50,000 and 42.4 of the population is in the targeted 35-64 age range, higher than the other trade areas.

Within this trade area, it is estimated that 6.7% of the population age 25 and over has earned a Master's, Professional, or Doctorate degree and 13.6% had earned a Bachelor's degree.

These rates are the same or below the one-half – five mile ring but still below the US average of 8.9% having earned a higher degree and 15.7% a Bachelor’s degree.

Like the other two trade areas, the demographics of this trade area are not particularly strong for a public market.

Based on the demographic profile of area residents and typical expenditure patterns as determined by the Bureau of Labor Statistics’ Consumer Expenditure Survey, Claritas estimates the retail sales potential for consumer goods. Using their estimated per capita expenditures for various food items, Claritas creates a **Food Purchasing Index** that compares local expected purchases to national averages on the household level. In any category, a score of 1.00 means that households within the defined trade area are expected to buy exactly the same as the national household average. If households in the targeted trade area are expected to purchase less of a particular product, the index will be less than one. Conversely, if they are expected to buy more than the national average of a certain item, the index will be more than one. For example, if the average household in the trade area is expected to buy \$1,200 worth of baked goods per year and the national average is \$1,000 per household, then the index would be 1.2.

For each of the three trade areas, the food purchasing index for 2010 is:

Fresh Food Index 2010

	0-.5 m ring	0.5-5 m band	5-20 m band
Fresh fruits/veges	59	68	79
Bakery	59	79	92
Meats	84	87	93
Fish/seafood	63	74	85
Dairy	59	79	92
Food away from home	43	73	86

Source: Claritas

Every score is below one, with some extremely low, such as Food Away from Home in the one-half mile ring at only 43. This data confirms that the expected demand for products typically sold in a public market is weak in these trade areas.

*Competitive analysis*

Specialty and fresh food retailers, along with restaurants in and around Lynchburg, were examined. Overall, Lynchburg has a very limited collection of independent food retailers. Notable retailers include Magnolia Foods, Montana Plains Bakery, and The Farm Basket. There are also a fairly small number of independent restaurants.

Most food in the region is purchased at national chain supermarkets, such as Krogers. During an inspection of a Krogers in Lynchburg, no local produce was evident in the produce section. In fact, the store had very little fresh meat on display. The store did have some Virginia wines. The closest natural supermarket is the Whole Foods Market in Charlottesville, which

appears to have a very different food “culture” than Lynchburg, as well as a different demographic profile.

The number of farms around Lynchburg continues to contract, typical of agricultural patterns throughout the eastern United States. In Virginia as a whole, the number of farms contracted from 49,366 in 1997 to 47,606 in 2002, a drop of 4%. However, direct marketing, which is defined by USDA as “agricultural products sold directly to individuals for human consumption” and which includes the farm-direct sales at the farmers’ market, has been growing. During the period from 1997 to 2002, the number of farms in Virginia that were engaged in direct marketing grew from 2,026 to 2,512, an increase of 24%. The value of farm goods sold directly increased even more dramatically, from \$11 million to nearly \$17 million, an increase of 52%.<sup>1</sup> Interviews with farmers at the Lynchburg Community Market and at other markets suggests that the opportunity exists to recruit additional farmers to the Market, in part because the outdoor and indoor facilities are generally superior to other farmers’ market locations around the state.



### *Research conclusions*

The market research suggests that the opportunity for expanding the amount of permanent fresh or prepared foods at the Lynchburg Community Market is limited. In part, this is driven by the apparent lack of experienced fresh food operators in the area. Experience at other public markets has shown that an important key to success is recruiting highly skilled and reasonably well capitalized food operators. These types of businesses are difficult to find in most communities and the problem is compounded if the community does not have a thriving independent, small food business economy. Given the very limited number of independent food businesses in Lynchburg, the area cannot be considered very fertile ground for attracting additional, full time food businesses to the Community Market.

In addition to the difficulty in finding quality tenants, both observations and discussions with food professionals in the area suggest that the area does not have a strong “local food culture.” While this is counter-indicated by the success of the outdoor farmers’ market, the

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<sup>1</sup> [http://www.nass.usda.gov/census/census02/volume1/va/st51\\_1\\_002\\_002.pdf](http://www.nass.usda.gov/census/census02/volume1/va/st51_1_002_002.pdf)

farmers' market and nearby farm stands and U-pick operations appear to satisfy most of the demand for local foods. Additional demand can be captured by expanding the offerings at the Saturday market and adding one more day of the week for the farmers' market.

During the work week, customers at the Community Market will continue to be a mix of downtown workers, nearby residents, and tourists. The Market cannot be expected to attract a consistently large base of shoppers from a larger region during the week. As a result, given the density of downtown residents and employees, the number of shoppers will be fairly limited. On weekends, however, the customer base is much larger and can grow. Residents from throughout the region can be attracted to downtown Lynchburg, in part to take advantage of other cultural opportunities available in the downtown. The Saturday market is already perceived as successful and has the capacity to strengthen and grow. The key will be not changing the Market too much, but building off the positive qualities that attract customers: the presence of bona fide farmers from the region with high quality products. Changes to the Market should focus first on "doing no harm" to what makes the Community Market successful, but rather look for opportunities to make marginal changes that enhance the shopping experience for customers. These opportunities includes recruiting more farmers who sell complementary products in order to widen the merchandise mix and potentially adding a second day of operation.

In the foreseeable future, there is neither adequate supply nor demand to fill the indoor market with food businesses – the space is simply larger than needed for a six day a week operation. The huge amounts of unused space and weak crafts currently strongly detract from the Market experience. No one wants to shop in a place that is half empty. Furthermore, the current craft vendors do little to enhance the Market experience, in part because they are not handmade items and in part because they are poorly merchandised and there is weak customer service.

Growth in downtown housing and workforce, if it materializes to the extent suggested by the Sasaki Master Plan, will provide some additional demand for products available at the Community Market. In particular, these consumers will be interested in restaurants and grocery items, as well as gifts. Additional businesses in the downtown will also stimulate demand for catering services.

Although it is not possible to fill the 20,000 square foot space with retailing, there are opportunities for adding some additional food retailing to meet the demands of downtown workers, tourists, and residents. These are determined to be bakery, specialty coffee, flowers, grocery and gifts. Furthermore, the Community Market can continue to support approximately the current number of restaurants. The restaurants would benefit from being consolidated in a common area, rather than being split between two ends of the building, as now.

There is also a role for artisans in the Community Market, with a focus on handmade items by local craftsmen. This opportunity can be expressed as festivals or weekly artisan market.

## Merchandising and Design Concept

### *Redevelopment Concept*

The proposed redevelopment concept has three principal parts. They are:

1. Weekly, seasonal sales, including the outdoor farmers' market under the shed on the plaza and .
2. Indoor market hall with restaurants and retailing
3. Flexible space for indoor farmers' market, crafts, meetings, and events, utilizing the Armory Hall (second floor), new events space within the indoor market, and the outdoor plaza.

This concept anticipates the least disruption for the outdoor farmers' market (which is well loved and conceptually strong), a reorganization of the indoor space for the restaurant and permanent retail, and new-found interior space and a redesigned plaza for meetings, events, and flexible vending.

### *Merchandising characteristics*

While each public market is unique, there are some common elements found in most of the country's successful public markets. These characteristics were considered when constructing the proposed mix of tenants for the Lynchburg Community Market. They include:

**Owner-operated businesses** - the merchants in public markets own and operate their own businesses; national chains are not allowed and even regional franchises are discouraged. Owner-operators offer customers the most knowledgeable and attentive service, as well as the accountability that only an owner can provide. As a result, public markets are centers of small business activity, providing opportunities for low-capitalized entrepreneurs. Great personalities and professionalism are a key to creating loyalty with customers. To compete successfully with supermarkets and chain groceries, vendors within a public market must take advantage of their principal competitive advantage: themselves.

**Farmers, food producers and wineries** - the presence of farmers, food producers and wineries within a public market further differentiates the experience of shopping at a public market with other retail venues. Local, farm fresh foods make the market authentic.

**Scale** - the best public markets have enough vendors to create a bustling atmosphere, where new products are continually being introduced and unique items are offered for sale. A downtown public market should become recognized as the premier location to shop for local foods in the region. A public market must be large enough to create an exciting atmosphere, but not too large that vendors cannot reach profitability because the market is saturated with too many businesses chasing too few dollars.

**Customer-friendly atmosphere** - Unlike supermarkets, public markets are valued for their customer service orientation and their hospitality. Market businesses typically have several employees at all times to serve their customers (this increases the number of jobs at a public market, making it a desirable economic development strategy, yet increases costs for the vendors and lowers the market’s efficiency). Successful public markets strive to make the market experience more than just buying food and wine by offering educational activities, special events, and festivals, as well as “planned spontaneity” in the form of street performers and activities that will appeal to families.

**Sensory experience** - through layout, display, and food preparation, public markets present the customer with a rich composition of sights, sounds, smells, and tastes. These combine with the products, the architecture and surrounding environment, and the mix of people who take part in the market to make an exciting and satisfying urban experience.

*Market hall tenant mix – permanent vendors*

The tenant mix plan provides an initial description of the desired tenants for the market hall, along with a proposed number of vendors and range of leasable square feet for each product category. To create the mix, the project team combined its analysis of the market research, an understanding of the space requirements for each type of business, and the availability of products at the outdoor farmers’ market.

Category	Sq. ft.	Description and Limitations
Bakery/café	1,000-1,500	Baked on premises with a mix of sweet and savory products. Products could include breads, rolls, bagels, biscuits, and muffins, as well as brownies, cookies, cakes, sweet rolls, coffee cakes, doughnuts, pies, tarts, or turnovers. Specialty coffees and teas.
Grocery/cheese/wine	800-1,000	Multi-product grocery, which can include meat, poultry, seafood, and grocery items. Vendors should also offer a wide variety of fresh and aged cheeses. Wines and beer.
Specialty food/gifts	700-1,000	Should focus on Virginia specialty food products, including sauces, mustards, jams, oils, vinegars, hot sauces/salsas, bread and cookies mixes, etc. Can also include chocolates, candies and nuts.
Flowers	300-600	Cut flowers and potted plants.
Crafts	400-800	High quality craft items.
Restaurants	450-1,200	Existing restaurants: Southern, deli, ethnic

For purposes of analysis, an initial plan with square footages is found in “Tenant Mix.” This outlines a mix of 10 vendors with 7,255 sf of retail space and 2,850 sf of storage, for a total leasable area of 10,105 sf. The storage is envisioned in the basement level.

#### *Market hall tenant mix – flexible vendors*

The indoor market has spaces for flexible, daily vending opportunities. This is a continuation of the indoor farmers’ market activity that happens predominately on Saturdays, with a mix of produce, baked goods, and meat. The space should also accommodate nonfood (craft) uses on Saturdays, and perhaps a second farmers’ market day during the growing season. Additional indoor vending days can also be scheduled around the holidays.

#### *Outdoor farmers’ market*

The merchandising plan includes the outdoor farmers’ market, without conceptual change. If changes are made to the shed structure, it should be designed so that the farmers’ trucks can continue to back into the sheds.

Over the long term, the most successful farmers’ markets have strict rules that prohibit non-local and non-farm raised products from being sold in the market. While the reality varies widely, the “brand promise” of a farmers’ market is that customers can buy products that were grown and harvested by the farmer who sells to them at the market. Farmers’ markets that allow that promise to be broken eventually see a drop in their customer base. Short term efforts to fill up spaces with middlemen or to allow non-locally grown products in the market generally backfire in the long run as the market loses the qualities that made it unique in the first place.

At minimum, non-local products should be clearly labeled so it is clear to customers when they are not buying local foods. Farmers should be required to label products if they don’t come from their own farm with the farm name and location.

Initially, the outdoor farmers’ market should only operate on Saturdays and all marketing materials and signs should make it clear that the farmers’ market takes place only at that time. Having only a few farmers operate on other days undermines the shopping experience and will discourage new shoppers. Rather, the Market should plan to add a second full farmers’ market day, after reaching out to the farmers and gaining their agreement to participate on a regular basis. Then, a major marketing effort is needed to make customers aware of the second market day.

#### *Education*

An important programmatic addition is space and infrastructure for education. Many public markets have demonstration kitchens, which are used by both Market vendors and outside chefs, nutritionists, and other food professionals to conduct classes or programs. Recent attention to obesity and other diet related diseases makes the need for culinary and nutrition

education very important and the Community Market should be perceived as a primary resource in this area.

### *Events and catering*

The Lynchburg Community Market has long been a place for downtown and community-wide events, most notably the Friday Cheers. The merchandising plan envisions an expansion of the programming to include event-based vending, particularly for crafts. The space is very flexible to permit events of many different sizes, from intimate gatherings that can take place in a conference room to large scale events that use two floors of the Armory and the outdoor plaza.

The events space can also accommodate activities that bridge between events and vending, such as a Sunday arts market. This could be a series of events where artists make their art on the plaza or within the Market's flexible space, and sell them too. This concept can be extended to students and others in the community, too.

### *Market design*

An initial schematic design concept, found in Appendix A, was created for the market hall. It must be stressed that this is a preliminary concept only and might change as the project undergoes further schematic design and design development. Some of the notable concepts within the schematic design include:

- Consolidate restaurants and permanent retail. The principal change is to cluster all the permanent restaurants and retail on one side of the building, closest to the outdoor farmers' market shed. These businesses are clustered around a single common central seating area, rather than the split seating areas that currently exist. By grouping the businesses together, the Market should gain the synergy found in fully tenanted public markets.
- Develop flexible vendor space with moveable partitions. Rather than permanent vendor space that is underutilized, the plan envisions flexible vendor space that is only used during designated market times. This flexible vendor space can be adjacent to the new glazed wall at the front of the permanent vendor area (replacing seating areas) and on the south side of the Market hall. Partition walls allow the space to be reduced, as needed, depending on the number of vendors who are renting space or the size of the event. When no activities are taking place in this area, the area can be closed and savings can be realized by shutting the lights and HVAC operation (if zoned).
- Create events spaces. When the flexible space is not used for vending, it can be used for events. Storage space is allotted to hold the periodic vendors' tables and chairs. This requires an operating change, because vendors will no longer be allowed to leave their products in place when not attended. Through the use of partition walls, the events space can be either very large (approximately 5,000 sf), or reduced into a number of smaller

rooms. These rooms can then be rented for meetings and events. The events space also connects into the plaza and the all-purpose room in the Armory, above. Large scale events can make use of all three zones.

- Develop catering/demo kitchen for education and events. A demonstration and catering kitchen is included within the events space, which can be used for both classes and events. The demo kitchen allows the Market to provide a series of cooking and nutrition education classes, for children and adults. Again, the use of partition walls allows the demo kitchen to be within an intimate classroom setting or within a much larger space if a celebrity chef is brought to the Market.
- Improve indoor/outdoor connection. Another major change is to improve the indoor outdoor connection. This is done by bringing the building edge out to the front of the Armory, with new glazed walls rather than the overhang that exists today. The roll-up garage doors will be replaced by windows and entrance doors. A new suspended canopy would be added to the building edge to provide shade to the building edge and improve the articulation of the building at this level.
- Dedicated seating. New dedicated seating would be added to both indoor and outdoor areas. The dedicated seating would be within the leasehold of the bakery/café and one restaurant, expanding the Market's leasable area and shifting the maintenance burden from Market staff to the tenant. This area could be partitioned to allow the consumption of alcohol beverages, perhaps limited to evening hours.
- Bathrooms. The plan envisions an upgrade of the existing set of bathrooms as well as new bathrooms in the permanent vendor space.



While the Market should highlight the unique qualities of each permanent vendor, the vendors' stalls should follow a common design vocabulary for lighting and display, and individual signage must be kept within size and material criteria. The best way to ensure a compatible and high quality design is for the Market to utilize an experienced architect to design each space. Any subsequent modifications of design or new tenants should be required, by lease, to have approval from the landlord.

## Financial Analysis

### *Permanent vendor pro forma*

One year operating statements were prepared for each vendor in the market hall in order to determine potential rent levels and needed tenant allowances, and to analyze profitability (see Appendix C, Vendor Pro Forma). The pro forma included average weekly sales estimates under a conservative sales scenario, with total sales among the set of 10 merchants equaling \$2.8 million. These gross sales are probably higher than what the existing vendors currently earn but were deemed reasonable given the increased patronage the Market should attract once it is redeveloped and a strong marketing program is put in place. Sales per square foot, based on retail square footage only, range from \$234 for the bakery/café to \$1,156 for the flower shop (this number is so high because the flower shop’s retail area is very small but it has a large storage/production area and the flower buckets will spill out into the common area). Market-wide, sales per square foot average \$383, which is well below the level of most successful public markets. One of the restaurants, with 1,132 square feet, is much larger than the others because it has its own dedicated seating both indoors and outdoors. Because it has its own entrance, this restaurant can be open additional hours and therefore has higher revenue potential.

As part of each statement, estimates are made for all typical operating expenses, including cost of goods, labor, rent, depreciation on initial capital investment, and others. This analysis is summarized for all ten vendors in Appendix B, “Market hall vendors financial analysis: summary.”

The following chart summarizes the ten businesses in terms of their square footage, gross sales, net income, rent plus CAM, and rent plus CAM as a percentage of sales:

Category	Retail sf	Storage sf	Total	Gross sales	Net Income	Rent + CAM	Rent/ sales
<i>Restaurant</i>							
1	1,132	250	1,382	\$338,000	\$67,470	\$24,640	7.3%
2	508	250	758	\$208,000	\$40,474	\$12,160	5.8%
3	475	250	725	\$208,000	\$41,299	\$11,500	5.5%
4	508	300	808	\$312,000	\$66,917	\$12,560	4.0%
5	484	250	734	\$208,000	\$41,074	\$11,680	5.6%
<i>Retail</i>							
Specialty food/gifts	900	300	1,200	\$286,000	\$44,222	\$14,100	4.9%
Bakery/café	1,668	300	1,968	\$390,000	\$77,221	\$29,088	7.5%
Grocery/cheese/wine	900	300	1,200	\$364,000	\$53,729	\$16,800	4.6%
Gifts (consignment)	500	300	800	\$260,000	\$57,530	\$12,400	4.8%
Flowers	180	400	580	\$208,000	\$38,470	\$4,820	2.3%
<b>Subtotal:</b>	<b>7,255</b>	<b>2,900</b>	<b>10,155</b>	<b>\$2,782,000</b>	<b>\$528,406</b>	<b>\$149,748</b>	<b>5.4%</b>
Averages	726	290	1,016	\$ 278,200	\$ 52,841	\$ 14,975	5.4%

Total leasable retail space is 7,255 sf with 2,850 sf of storage space needed. Based on estimated sales of \$2.8 million, the sales per square foot equal \$383, which is well below the level achieved at other public markets but reasonable for this location. All of the businesses are profitable with average net operating income (NOI) of about \$53,000.

According to research conducted by the Department of Recreation, downtown rents currently range from \$8-\$10 per sf for Class B retail and \$12.50 - \$16.50 for Class A retail. At present, rents in the Community Market are \$9 per sf. For this financial analysis, rents are \$12.00 per sf for the restaurants and range from \$5.00 to \$16.00 per sf for the retail stores. While most of the tenants are assigned rents that are higher than the current rent, it was deemed appropriate since the Market will be much improved physically after the space is redeveloped and it will have operational improvements.

This financial analysis includes the introduction of CAM charges, which are typical of shared retail environments such as shopping malls and many retail leases, both in the Lynchburg area and nationally. CAM is charged at the rate of \$8.00 per square foot for the restaurants and \$4.00 per sf for the retail stores. Restaurants are charged more because of the extra cleaning and trash burdens they place on the common area seating. Some public markets peg CAM to particular operating expenses and then share the costs on a pro rata basis. If those operating expenses go up or down each year, then the tenants' CAM fees are adjusted proportionally. For simplicity, CAM is proposed initially as a set, per square foot fee.

At the proposed level, rents in the Community Market will be at the high end but still comparable to existing downtown Lynchburg Class B spaces. Furthermore, on a square foot basis, public markets are typically at least two times more expensive than nearby store rents. In part, this is because of the extra management services that public markets provide. In addition, tenants only pay rent for their actual stalls and not for customer circulation areas or bathrooms, which they would have to absorb in a storefront. Market tenants need much smaller spaces to generate similar or higher sales volumes. As a result, the rents per square foot are higher, but the absolute cost of occupancy is not. These benefits will have to be stressed to existing and new tenants. According to the Urban Land Institute's annual survey of shopping centers, food stores such as bakeries, delicatessens and butcher shops typically pay between 7% and 17% of their gross sales in total real estate occupancy costs, with an average of 12.5%. By contrast, total occupancy costs for vendors in the market hall (adding base rent and CAM) average only 5.4% of gross sales in this analysis.

A new charge is a marketing fee. This is proposed at \$5.00 per sf for all permanent vendors. This provides \$36,275 per year of revenue for the Market. The daily vendors are also charged a marketing fee of \$5 per day for farmers and \$10 per day for craft vendors. These fees provide the resources to significantly expand the Community Market's marketing program, which is essential to the project's long term success and critical for supporting the investment represented by the redevelopment of the Market.

One of the most important costs facing public market vendors is labor. In all instances, the operating statements assume that the owner is present to manage the business; the owner's compensation is therefore the business' net profit. Local wage conditions, as reported by the US

Bureau of Labor Standards, were utilized in the analysis for employees. Hour/wage calculations are shown at the bottom of each operating statement. These estimates represent the manpower requirements at these sales levels. As sales increase or hours are extended, additional labor will be required. Total payroll expenditures, including taxes and benefits, are estimated at \$531,000 (this excludes owner income). Overall, the ten permanent tenants are estimated to provide 40 FTE jobs.

Estimates were made for the tenants' cost of construction and fit-out of their new spaces, as well as working capital. For current tenants, they might be able to use existing equipment and fixtures, although there will still be plumbing and electrical costs and other costs of physical improvements. These numbers will need to be revisited as the design concept is further refined and the amount of time the Market needs to be closed during reconstruction is determined. For purposes of pro forma analysis, the total construction/equipment/working capital estimate is \$720,000 for the ten proposed businesses. Most of this cost (\$515,000) is expected to be carried by the tenants, but an initial estimate of \$205,000 is provided for tenant allowances, which are provided by the landlord to help defray some of the tenants' costs. The tenant share (average \$51,500 per tenant) is incorporated into the individual income statements as depreciation, with a cost of capital at 7.5% over a five year term.

*Daily vendors*

Income estimates were made for the indoor and outdoor components of the farmers' market, and indoor and outdoor components of nonfood (craft) vendors.

- Outdoor farmers' market. Currently, farmers pay \$600 per year for 21 outdoor spaces. Additional rent is garnered by re-renting spaces when the farmers do not show up. For this analysis, the seasonal rent is raised 5% to \$630 per year and is only good for one day a week, Saturdays, which reflects the Market's operating practice. If a second day is added, additional rent should be charged on either a daily or seasonal basis. Re-rent of \$28 per day is figured at 5 spaces per day over 24 days. Farmers are also charged \$5 per day for the marketing fee. For the analysis, it is assumed that farmers average 24 market days per year, so the average marketing fee per farmer is \$120. As the chart below shows, annual income from the outdoor farmers' market is \$19,353.

**Outside Farmers Market**

Space		Spaces	Seasonal rent, 1 day	Total	Mktg fee/day	Days/yr	Mktg/year	Total
57-75	Covered	18	\$ 630	\$ 11,340	\$ 5.00	24	\$ 2,160	
no #	Uncovered	1	\$ 273	\$ 273	\$ 5.00	24	\$ 120	
Stalls 1-2	Uncovered	2	\$ 630	\$ 1,260	\$ 5.00	24	\$ 240	
Re-rent	Days/year 24	Spaces 5	Rent/day \$ 28	\$ 3,360	\$ 5.00	24	\$ 600	
<i>Subtotal</i>				\$ 16,233			\$ 3,120	\$ 19,353

- Indoor Saturday farmers' market. At present, there are 15 farmers and food producers that rent space inside along what is called the tailgate and front row. Currently, the tailgate spaces (#48-56) are charged \$840 per year. As with the outdoor farmers' market, rents are raised 5% from current levels. The 5 nonfood tenants are charged \$1,250 per year, which is the equivalent of \$25 per day over 50 days. With the marketing fee of \$5 per day, the indoor farmers' market equals \$24,480 in rents (see chart below).

**Indoor Saturday Market - year round**

# of stalls	Type	Annual rent, 1 day	Total	Mktg fee/day	Days/yr	Mktg/year	Total
15	Food	\$ 882	\$ 13,230	\$ 5.00	50	\$ 3,750	
5	Noonfood	\$ 1,250	\$ 6,250	\$ 5.00	50	\$ 1,250	
<i>Subtotal</i>			\$ 19,480			\$ 5,000	\$ 24,480

- Indoor craft vendors. The indoor vending in the new flexible space is assumed to be rented on a daily basis. It is estimated that, on average, there will be 25 vendors who pay \$28 per day over 12 events during the course of the year, plus the \$10 per day marketing fee. This equals \$12,408 per year.

**Event space vendor rentals**

# of stalls	Type	Rent/day	Events days/year	Total	Mktg fee/day	Mktg/year	Total fee
25	Nonfood	\$28.00	12	\$9,408	\$10.00	\$3,000	\$12,408

- Outdoor craft vendors. The outdoor vending is imagined to be on Sundays or mid-week, when the farmers' market is not in operation. Depending on how the plaza is designed and the demand, it is also possible to have craft vending outdoor on Saturdays when the farmers' market is in operation. For the financial analysis, it is estimated that there will be 25 spaces rented 20 days per year for \$25 per day, plus the \$10 per day marketing charge, for a total of \$15,000.

**Outside events - vendors (Sunday, weekday)**

Spaces	Rent/day	Events days/year	Total	Mktg fee/day	Days/yr	Mktg/year	Total fee
25	\$ 25.00	20	\$ 12,500	\$ 10.00	20	\$ 5,000	\$ 17,500

### *Site rental*

The flexible event space is expected to be rented for a variety of functions, from board meetings to parties and fundraisers. At present, there are a number of facilities in downtown Lynchburg that are available for rental. Research was conducted on fees charged and availability in order to determine reasonable projections for fees and usage. Event spaces contacted include the Academy of Fine Arts, the 9<sup>th</sup> Street Parlor (aka The Ballroom), Holiday Inn, and The Swann Building on Commerce Street.

To determine income from the site rental, the analysis factors in the projected number of events per year, the average number of people who attend each event, and a site rental fee using a per person amount. In practice, management can determine a fixed price for each of the rooms per hour or per session, and charge set up and break down fees. It is expected that some users of the space (nonprofits, charities) will yield little site rental revenue, so the average fees are low.

In the first year, the analysis suggests that 40 paid events will take place, with an average of 50 people per event. Over a full year, this is well below one event each week, so the analysis should be seen as quite conservative. By the second year, the number of events increases to 50 and then to 80 by the third year.

In addition to the flexible indoor space, the second floor of the Armory and the plaza are also available to be rented. Through 10 months of FY2006, the Department of Parks and Recreation received about \$4100 of income for the Armory and \$4800 of income for the plaza. With more aggressive marketing, it is anticipated that these rental numbers can increase to \$5,000 per year and \$6,000 per year, respectively, and then increase by 10% per year for the following two years.

#### **Site rental for catered events**

Indoor flexible space	Year 1	Year 2	Year 3
Events/year	40	50	80
People/event (ave)	50	55	60
Fee/person	\$ 8.00	\$ 8.00	\$ 10.00
<i>Subtotal</i>	\$16,000	\$22,000	\$48,000
Amory 2nd Floor	\$5,000	\$5,500	\$6,050
Plaza	\$6,000	\$6,600	\$7,260
Total	\$27,000	\$34,100	\$61,310

### *Market pro forma*

A three year operations pro forma has been prepared for the Community Market (see “Operating Projection” in Appendix B.) Based on the various sources of rental income, total first year income is estimated at \$293,764. In addition to all the income sources described above, this includes \$7,000 for gift certificates (net) and Market merchandise sales, as per below:

**Concessions/sales**

Gift certificates (net)	\$5,000
Merchandise	\$2,000
Total	<u>\$7,000</u>

Allowances are provided for uncollected rents and vacancy lost, dropping net income to \$267,414.

First year expenses are estimated to be \$350,563, resulting in a net loss of \$83,148, before subtracting any capital maintenance fund. By the third year, revenues should climb to \$323,575 while expenses are \$367,423, resulting in net loss of \$43,847.

Personnel represents the biggest operating cost for the Community Market, at 46% of total expenses, followed by marketing, at 24%. Personnel and marketing costs are detailed below. Other significant expenses include utilities and repairs. While the design plan will encourage energy savings because HVAC will be consolidated, increasing energy costs will probably keep the utility budget at approximately the same level as experienced today.

*Development budget*

An analysis was made of how much debt the city could support based on the proposed concept. At present, the City of Lynchburg subsidizes the Community Market at the rate of approximately \$200,000 per year. Assuming the Market achieves a \$44,000 operating deficit a year as envisioned by year three, the total change is \$156,000. According to the Department, the interest rate on the City's most recent debt was 4.5%. Assuming the city can borrow at 5.0% in the near future, an annual payment of \$240,000 over a thirty year term would produce a present value of \$2.4 million. Therefore, an investment of \$2.4 million into the Market's infrastructure would be "expense neutral" compared to the city's current support.

**Management and Operations***Organizational structure*

It is anticipated that a nonprofit organization, Lynch's Landing, will take over the operation of the Lynchburg Community Market once the redevelopment is completed. The City will maintain ownership of the Market and maintain the property. Lynch's Landing will be responsible for the outdoor plaza, the market hall, and, when it is not being utilized by the police academy, the second floor of the Armory.

A number of public markets around the country have a similar organizational structure, with the city owning the market property and having an agreement with a nonprofit corporation to run the facility. Some examples include the Findlay Market in Cincinnati and the Lexington Market in Baltimore. In the case of Lexington Market, the city's Finance Director is a member of the board of director's of Lexington Market, Inc.

## *Management*

A strong management team is often identified as the most critical determinant of a public market's long term success. Public markets are management-intensive operations: market managers need to understand how each business inside the market operates, understand the market's customers, and take the steps that lead to profitability for both merchants and the market as a whole. The management team must pursue the market's public goals, which include financial objectives that require a firm, business-like approach.

The tasks of market management can generally be divided into five categories: property management, financial management/planning, tenant relations/business assistance, leasing, and marketing. Some of the critical tasks within each category include:

### *Property management*

- Cleaning and pest control
- Security; opening and locking doors on time
- Maintenance
- Code adherence
- Rules enforcement, including quality control, display, and hours of operation

### *Financial management and planning*

- Financial reports to board of directors and the city
- Regular update of business plan
- Preparation of annual report, demonstrating progress toward meeting the Market's goals

### *Leasing*

- Active, aggressive leasing effort to add proposed retail businesses, particularly bakery/café, then ongoing leasing to fill vacancies and replace underperforming vendors
- Farmer recruitment, with focus on bona fide farmers, not hobbyists or middlemen (pursue farmers from Charlottesville Farmers' Market)
- Preparation of leasing materials with new vision
- Rental of events space

### *Tenant relations/business assistance*

- Maintain strong relations and ensure good communication with vendors
- Provide business assistance services, such as training and employee orientation

### *Marketing*

- Advertising
- Special events/promotions
- Public relations
- Research

As currently conceptualized, the management staff includes a director, marketing director, farmers’ market/space rental coordinator, bookkeeper, and janitorial staff. The director is expected to be the executive director of Lynch’s Landing. For budgeting purposes, the director is assumed to spend one-quarter time on the Community Market and charge \$18,000 of her time to the Market budget. Similarly, the marketing director is assumed to be a staff person at Lynch’s Landing who devotes 1/3 of his/her time to the Market and charges \$15,000 to the Market budget. The farmers’ market/space rental coordinator is expected to be a full time position and is budgeted at \$36,000. The bookkeeper is expected to be one-half time (budgeted at \$13,000) and there are the equivalent of three full time janitors at \$9.00 per hour for a total of \$47,250. The following chart shows all the personnel costs:

<b>Personnel</b>	
Director (1/4 time)	\$18,000
Marketing Director (1/3 time)	\$15,000
Farmers' Market/Space rental coord.	\$36,000
Bookkeeper (1/2 time)	\$13,000
Janitorial (3 at \$9.00)	\$47,250
Fringe benefits	\$23,265
Payroll tax	\$9,048
<b>Total</b>	<b>\$161,563</b>
Annual raise	3.5%
Fringe benefits	18%
Payroll taxes	7%

### *Marketing*

Marketing will play a key role in the success of the redeveloped Community Market. Residents in the region need to be made aware of the improved facility, educated about public market shopping (particularly the farmers’ market), and convinced that they should alter their food buying habits by coming downtown to shop. It is critical that the Market only advertise and promote what it is able to deliver. For example, clear rules and an enforcement regime must be in place about mandatory hours – with the buy-in from vendors – before the Market can advertise its hours of operation. Furthermore, if the Market is going to advertise local foods, then there must be local foods available at all times the Market promises.

A well developed marketing program includes advertising, promotions/special events, and public relations. Given the expertise and capacity of Lynch’s Landing to run events, it is

recommended that special events be the centerpiece of the Market's marketing program. Much of the effort here will be to draw customers to the Market and to gain television, radio, and print coverage of the events. For initial budgetary purposes, other marketing strategies include a brochure, placement in area guide books and maps, and a quarterly newsletter.

The Community Market's marketing program should be tied into the new downtown branding themes, which are expected to be arts, culture and history. The Market's message about local foods and crafts, and its own long history, should be readily adaptable to the downtown's branding strategy.

Growing concern about obesity and its link to diet and lifestyle provide an opportunity for the Community Market to position itself as a locus of information and education. The redevelopment plan includes a demonstration kitchen that will facilitate cooking and nutrition classes. The Market can bring in school groups to teach about healthy eating and thereby fulfill its public mission, while also creating loyalty and interest among families in the region.

A preliminary annual budget for marketing is \$85,000 (see below). This figure does not include the staff resources devoted to marketing. The development budget should include additional funds for a grand opening promotion. The redevelopment offers the opportunity to revisit the Market's branding materials, including logo. An annual marketing plan should be developed each with targeted strategies to reach customer segment (downtown workers, nearby residents, regional residents, tourists, etc.).

Since tenants will be required to pay a marketing fee, it is reasonable for the Market to organize a marketing committee that includes vendors in order to solicit their ideas, gauge the impact of the marketing on their businesses, and encourage their participation in market events.

Advertising	Brochure	\$	6,000	
	Guides	\$	2,000	
	Television	\$	10,000	
	Radio	\$	15,000	
	Billboard	\$	10,000	
	Newspaper	\$	10,000	
	<i>Subtotal</i>			\$
Events	Festivals	\$	12,000	
	Holiday decorations	\$	2,000	
	<i>Subtotal</i>			\$
Public relations	Newsletter	\$	10,000	
	Giveaways			\$
Other	Web	\$	5,000	
	Design/production	\$	3,000	
				\$
Total			\$	85,000

### *Schedule of operation*

Hours of operation have been inconsistent at the Community Market. The redevelopment plan provides the opportunity to rethink the advertised hours, reach agreement with the vendors, and create appropriate rules and procedures for consistent and logical hours.

- Farmers' market

In the focus groups, customers spoke about the progressively early start times for the Saturday farmers' market and assumed that the earlier hours benefited the farmers. Conversations with farmers revealed that they keep coming earlier because the customers keep showing up earlier. The farmers said that they would prefer a later, set opening time.

It is recommended that the Saturday farmers' market keep to a consistent schedule, which can then be reliably advertised. The proposed schedule is 7 am until 2 pm. No selling should be permitted before the scheduled opening time. Like at other markets, the Market Manager can ring a bell to signify the opening and closing of the farmers' market. Since the consultant team only spoke with a subset of the farmers, this policy should be shared with the participating farmers in order to get their feedback and agreement before it is adopted and announced.

While it is illogical to require a farmer to stay at the Market once he or she has sold out, a strong effort should be made to keep the farmers at the Market until the official closing time (2 pm). Again, if management is going to advertise the Market's hours of operation, then it needs

to ensure that products are available to consumers for the entire period. Management needs to work closely with the farmers to encourage them to bring enough products so they are adequately supplied for the entire Market day.

- Indoor market

One of the challenges in setting hours of operation is the variation in business models between the different types of vendors within a public market. Some vendors, such as a coffee business, want very long hours, stretching from the early morning until late in the evening. Other vendors, such as a lunch stall, only want to be open for about four hours around lunchtime. The public market must balance the needs of the different vendors when setting its operating schedule and then, once a decision is made, strictly enforce the rules around opening and closing times because that is what customers are promised.

Ideally, the restaurants and retailers in the market hall would be open the same hours. However, given the previous history, the following hours are suggested:

- Restaurants: Monday through Saturday 7 am – 3 pm
- Retail: Monday through Saturday 9 am – 6 pm

The individual restaurants should be encouraged to stay open until 6 pm.

Sunday hours are becoming increasingly popular in food retailing and many supermarkets have their busiest day of the week on Sundays. If the Market develops a second farmers' market day on Sundays or an afternoon crafts market on Sundays, then it should consider opening the market hall on Sundays, too. This should only take place seasonally.

### *Parking*

Parking remains an important management and communications issue. The next phase of design work will examine the potential to include some parking on the redeveloped plaza, but it is expected that the amount of parking will be reduced. However, demand for parking will grow as Community Market attracts more customers.

The proposed market interior layout offers new access to Church Street via new entryways. This will offer easy access to street parking and the YMCA lot. The new housing for police adjacent to the Market will hopefully also reduce the need for policemen to parking on the plaza. The plaza planning will also look at adding some street parking to 12<sup>th</sup> Street.

The Community Market does not control enough property to address the downtown's parking problems alone. The Market needs to advocate for parking solutions in the adjacent blocks because most customers shopping for fresh food will arrive with their cars.

## Conclusion

This report summarizes the first phase of the Lynchburg Community Market Redevelopment Plan. It includes a proposed merchandising mix with a preferred mix of businesses and uses, an interior layout design concept, a business plan that leads to operational improvements and helps the Market approach financial self-sufficiency, and a sponsorship and management plan to operate the Market after the redevelopment takes place.

The proposed flexible design will serve both the needs of current vendors (farmers, permanent retailers and restaurants, and crafters) and the needs of the community by providing space that can be utilized by both small groups and large. The new demonstration kitchen can become a significant resource for schools and at-risk families to teach about nutrition and healthy eating. By clustering the restaurants and permanent food vendors together, this design will greatly improve the shopping experience for customers while reducing the cost of operating the building.

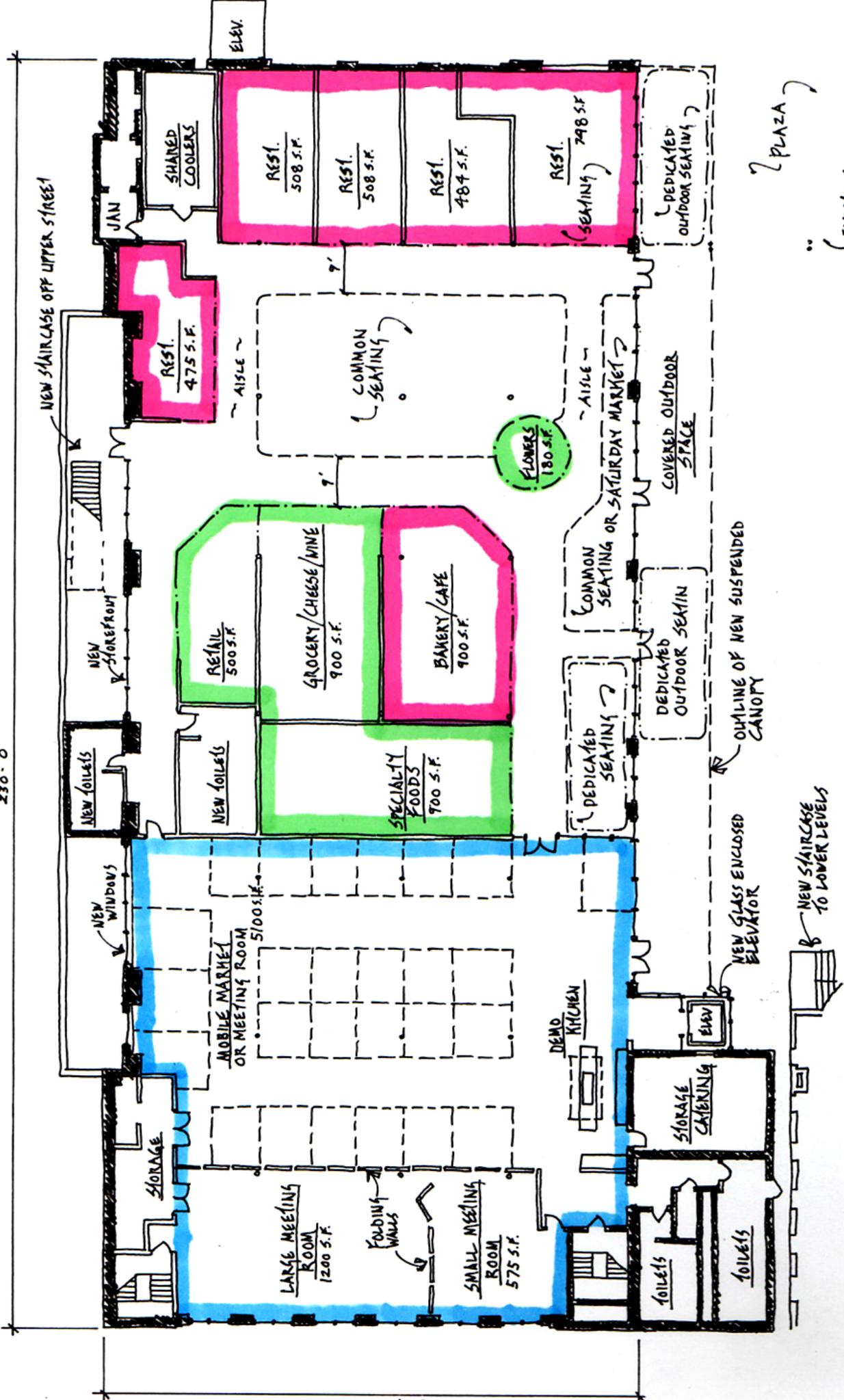
Based on the analysis and assumptions contained herein, the redevelopment of the Community Market can substantially reduce the operating subsidy that has been provided by the City of Lynchburg. This has been achieved with moderate rent increases, new efforts at leasing (particularly for bona fide farmers), additional income from site rental, more efficient management, and modest new fees.

The reduction of subsidy suggests that the Market can support about a \$2.4 million investment into the property, utilizing the city's bonding capacity. In return, the Community Market will be a place that serves area residents and tourists much better and has the capacity to grow.

Following the city's investment in the building, the Market will greatly benefit from a professional, nonprofit manager. This group and the city need to agree on the Market's mission and metrics against which to measure progress. The redevelopment provides a great opportunity to strengthen the Market's rules and operating procedures, as well as expand the marketing program particularly with a reinigorated series of events.

**Appendix A: Concept Drawing**

230' 0"



# Lynchburg Community Market - Merchandising Plan

Market Ventures, Inc. / Hugh A. Boyd, Architects

PLAZA  
EXISTING FARMERS MARKET

**Appendix B: Charts and Spreadsheets**

# Market hall vendors: Summary

Lynchburg Community Market

Businesses		10	
Square footage - retail		7,255	
Square footage - storage		2,900	
Total leasable square footage		10,155	
Average sales/sf	\$	383	
<b>Totals (all businesses)</b>			
Annual sales	\$	2,782,000	
Cost of goods	\$	1,123,980	40.4%
Gross profit	\$	1,658,020	
Total Expenses	\$	1,129,614	
NOI	\$	528,406	
Average NOI	\$	52,841	
<b>Expenses (select)</b>			
Base rent - retail	\$	85,100	
Base rent - storage	\$	23,200	
CAM	\$	41,448	
<i>Subtotal - rents</i>	\$	149,748	
<i>Base rents per square foot - average</i>	\$	11.73	
<i>Rents + CAM as % of sales</i>		5.4%	
Marketing fee	\$	36,275	
Tenant fit out costs	\$	445,000	
Tenant allowances	\$	275,000	
Tenant contributions and working capital	\$	720,000	
Payroll	\$	469,820	
Payroll taxes	\$	46,982	
Payroll benefits	\$	14,095	
Total: Payroll	\$	530,897	
Full time employment (FTE)		30.3	
Business owners		10.0	
Market management		5.0	
Total jobs (FTE)		<u>45.3</u>	

# Operating Projection

Lynchburg Community Market

	Year 1	Year 2	Year 3
<b>INCOME</b>			
Stores - rent	\$108,300	\$108,300	\$113,715
Stores - CAM	\$41,448	\$41,448	\$43,520
Stores - marketing fee	\$36,275	\$36,275	\$38,089
Farmers' market - inside	\$24,480	\$25,214	\$25,971
Farmers' market - outside	\$19,353	\$19,934	\$20,532
Indoor vending - event space	\$12,408	\$12,780	\$13,164
Outdoor vending (weekday, Sunday)	\$17,500	\$18,025	\$18,566
Site rental	\$27,000	\$34,100	\$61,310
Concessions/sales	\$7,000	\$7,210	\$7,426
<b>Gross Income</b>	<b>\$293,764</b>	<b>\$303,286</b>	<b>\$342,292</b>
Uncollected rents	(\$9,301)	(\$9,301)	(\$9,766)
Vacancy lost	(\$17,049)	(\$8,524)	(\$8,951)
<b>Net Income</b>	<b>\$267,414</b>	<b>\$285,461</b>	<b>\$323,575</b>
<b>EXPENSES</b>			
Personnel	\$161,563	\$161,563	\$167,217
Contractual services/repair	\$15,000	\$15,450	\$15,914
Insurance	\$5,000	\$5,000	\$5,000
L&P	\$10,000	\$10,300	\$10,609
Marketing	\$85,000	\$87,550	\$90,177
Miscellaneous	\$5,000	\$5,150	\$5,305
Real estate taxes	\$0	\$0	\$0
Supplies/equipment	\$8,000	\$8,240	\$8,487
Telephone/computer	\$6,000	\$6,180	\$6,365
Utilities	\$55,000	\$56,650	\$58,350
<b>Total expenses</b>	<b>\$350,563</b>	<b>\$356,083</b>	<b>\$367,423</b>
<b>Net Operating Income</b>	<b>(\$83,148)</b>	<b>(\$70,622)</b>	<b>(\$43,847)</b>

# Operating Projection

Lynchburg Community Market

	Year 1	Year 2	Year 3
Base rent and CAM increase	0%	0%	5%
Daily vending fee increase	0%	3%	3%
Uncollected rent	5%	5%	5%
Vacancy	10%	5%	5%
<b>Personnel</b>			
Director (1/4 time)	\$18,000	\$18,630	\$19,282
Marketing Director (1/3 time)	\$15,000	\$15,525	\$16,068
Farmers' Market/Space rental coord.	\$36,000	\$37,260	\$38,564
Bookkeeper (1/2 time)	\$13,000	\$13,455	\$13,926
Janitorial (3 at \$9.00)	\$47,250	\$48,904	\$50,615
Fringe benefits	\$23,265	\$24,079	\$24,922
Payroll tax	\$9,048	\$9,364	\$9,692
<b>Total</b>	<b>\$161,563</b>	<b>\$167,217</b>	<b>\$173,070</b>
Annual raise	3.5%		
Fringe benefits	18%		
Payroll taxes	7%		
<b>Insurance</b>	SF 20,000 \$	Rate 0.25	Total \$5,000
<b>Taxes - Property</b>	SF 20,000 \$	Rate -	Total \$0
<b>Utilities</b>	Building sf 20,000 \$	Rate/sf 2.75	Total \$55,000
<b>Expense inflator</b>	3.0%		

**Appendix C: Vendor Pro Forma**

**Vendor pro formas**  
Lynchburg Community Market

100%

31-Jul-06  
Page 1

	1	2	3	4	5	Total
<b>Restaurants</b>						
Square footage - retail	1132	508	475	508	484	3,107
Square footage - storage	250	250	250	300	250	1,300
Total sf	1,382	758	725	808	734	4,407
Sales/s.f.	\$299	\$409	\$438	\$614	\$430	
<b>Income</b>						
Annual sales	\$338,000	\$208,000	\$208,000	\$312,000	\$208,000	\$1,274,000
Cost of Goods	\$118,300	\$72,800	\$72,800	\$109,200	\$72,800	\$445,900
Gross Profit	\$219,700	\$135,200	\$135,200	\$202,800	\$135,200	\$828,100
<b>Expenses</b>						
Advertising fee	\$5,660	\$5,000	\$2,375	\$2,540	\$2,420	\$15,635
Credit Card	\$2,535	\$1,560	\$1,560	\$2,340	\$1,560	\$9,515
Depreciation	\$18,537	\$14,830	\$14,830	\$16,066	\$14,830	\$79,093
Dues, subscriptions, publications	\$600	\$1,200	\$1,000	\$1,200	\$1,200	\$5,000
Insurance	\$1,200	\$5,000	\$5,000	\$2,000	\$5,000	\$20,000
Miscellaneous	\$5,000	\$2,000	\$0	\$0	\$0	\$0
Office expenses	\$2,000	\$0	\$0	\$0	\$0	\$0
Parking (employee)	\$61,750	\$31,200	\$31,200	\$61,750	\$31,200	\$217,100
Payroll (1)	\$6,175	\$3,120	\$3,120	\$6,175	\$3,120	\$21,710
Payroll taxes	\$1,853	\$936	\$936	\$1,853	\$936	\$6,513
Payroll benefits	\$1,500	\$4,000	\$4,000	\$4,000	\$4,000	\$15,000
Professional fees	\$13,584	\$6,096	\$5,700	\$6,096	\$5,808	\$37,284
Rent - 1st floor	\$2,000	\$2,000	\$2,000	\$2,400	\$2,400	\$10,400
Rent - storage	\$8,000	\$4,064	\$3,800	\$4,064	\$3,872	\$24,856
CAM	\$5,066	\$2,000	\$2,000	\$2,000	\$2,000	\$8,000
Repairs & Maintenance	\$10,140	\$6,240	\$6,240	\$9,360	\$6,240	\$38,240
Supplies	\$840	\$840	\$840	\$840	\$840	\$3,360
Telephone	\$1,000	\$500	\$500	\$1,000	\$500	\$2,000
Uniforms and laundry	\$4,800	\$3,600	\$3,600	\$4,000	\$3,600	\$15,600
Utilities	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$8,000
Vehicle/Transportation	\$152,230	\$94,726	\$93,901	\$135,883	\$94,126	\$570,866
Subtotal	\$67,470	\$40,474	\$41,299	\$66,917	\$41,074	\$257,234
Net Operating Income						
Rent/total sf	\$17.83	\$17.83	\$16.04	\$15.86	\$15.54	\$15.91
Cost of occupancy (rent, CAM)	52	7.3%	5.8%	5.5%	4.0%	5.6%
1. Payroll						
Rate 1 - retail clerk	Hrs/wk	Total/wk	Rate/hr	Hrs/wk	Total/wk	Rate/hr
Rate 2 - front line manager	100	\$600	\$7.50	100	\$750	\$7.50
Rate 3 - manager/skilled	35	\$438	\$12.50	35	\$438	\$12.50
	0	\$0	\$22.00	0	\$0	\$22.00
	135	\$1,188		135	\$1,188	
FTE	3.9	2.3	2.3	3.9	2.3	14.6
Break even sales = fixed costs / (1 - variable costs as percent)						
Break even sales	\$234,200	\$145,732	\$144,463	\$209,051	\$144,809	\$878,255
Break even sales/sf	\$169	\$192	\$199	\$259	\$197	\$197
Equipment/construction costs	\$70,000	\$50,000	\$50,000	\$60,000	\$50,000	\$280,000
Working Capital	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$125,000
Total start-up costs	\$95,000	\$75,000	\$75,000	\$85,000	\$75,000	\$405,000
Tenant allowance	\$20,000	\$15,000	\$15,000	\$20,000	\$15,000	\$85,000
Tenant contribution	\$75,000	\$60,000	\$60,000	\$65,000	\$60,000	\$320,000
Cost of capital	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Amortization (years)	5	5	5	5	5	5

**Vendor pro formas**  
Lynchburg Community Market

Sales multiplier:

100%

	6	7	8	9	10	Total
	Specialty food/gifts	Bakery/café	Grocery/cheese/wine	Gifts (consignment)	Flowers	
<b>Income</b>						
Annual sales	\$286,000	\$390,000	\$364,000	\$260,000	\$208,000	\$1,508,000
Cost of Goods	\$151,580	\$136,500	\$182,000	\$104,000	\$104,000	\$678,080
Gross Profit	\$134,420	\$253,500	\$182,000	\$156,000	\$104,000	\$829,920
	sales/wk	sales/wk	sales/wk	sales/wk	sales/wk	sales/wk
	\$5,500	\$7,500	\$7,000	\$5,000	\$4,000	\$4,000
	53%	35%	50%	40%	50%	50%
<b>Expenses</b>						
Advertising fee	\$4,500	\$5.00	\$5.00	\$5.00	\$5.00	\$20,740
Credit Card	\$2,145	3.0%	\$2,730	\$1,950	\$1,560	\$20,740
Depreciation	\$9,887	\$40,000	\$11,122	\$11,122	\$4,943	\$48,197
Dues, subscriptions, publications	\$600	\$600	\$600	\$600	\$600	\$600
Insurance	\$1,000	\$1,500	\$1,500	\$600	\$600	\$600
Miscellaneous	\$5,000	\$7,000	\$5,000	\$5,000	\$4,000	\$4,000
Office expenses	\$1,000	\$1,500	\$1,000	\$1,000	\$500	\$500
Parking (employee)	\$0	\$0	\$0	\$0	\$0	\$0
Payroll (1)	\$33,280	\$85,800	\$58,760	\$41,600	\$33,280	\$252,720
Payroll taxes	\$3,328	\$8,580	\$5,876	\$4,160	\$3,328	\$25,272
Payroll benefits	\$998	\$2,574	\$1,763	\$1,248	\$998	\$7,582
Professional fees	\$1,200	\$3,000	\$3,000	\$3,000	\$2,000	\$2,000
Rent - retail	\$8,100	\$20,016	\$10,800	\$8,000	\$900	\$47,816
Rent - storage	\$2,400	\$2,400	\$2,400	\$2,400	\$3,200	\$12,800
CAM	\$3,600	\$6,672	\$3,600	\$2,000	\$720	\$16,592
Repairs & Maintenance	\$1,000	\$1,000	\$1,500	\$5,200	\$500	\$12,800
Supplies	\$5,720	\$7,800	\$7,280	\$5,200	\$4,160	\$16,592
Telephone	\$840	\$1,200	\$840	\$840	\$840	\$840
Uniforms and laundry	\$0	\$1,250	\$750	\$500	\$0	\$0
Utilities	\$3,600	\$1,000	\$3,000	\$3,000	\$0	\$0
Vehicle/Transportation	\$2,000	\$2,000	\$2,000	\$2,000	\$0	\$0
Subtotal	\$90,198	\$128,279	\$128,271	\$98,470	\$65,530	\$558,749
Net Operating Income	\$44,222	\$77,221	\$53,729	\$57,530	\$38,470	\$271,171
Notes						
Rent/total sf	\$11.75	\$14.78	\$14.00	\$15.50	\$8.31	\$8.31
Cost of occupancy (rent, % rent)	52	4.9%	7.5%	4.6%	4.8%	2.3%
1. Payroll	Hrs/wk	Rate/hr	Total/wk	Hrs/wk	Rate/hr	Total/wk
Rate 1 - retail clerk	80	\$8.00	\$640	80	\$8.00	\$640
Rate 2 - senior clerk/asst mgr	0	\$10.00	\$0	100	\$10.00	\$0
Rate 2 - manager/skilled	0	\$14.00	\$0	35	\$12.00	\$0
	80		\$640	115		\$640
FTE	2.3	5.0	3.3	2.9	2.3	15.7
Break even sales = fixed costs / (1 - variable costs as percent)						
Break even sales	\$191,911	\$160	\$271,199	\$256,542	\$164,117	\$1,014,829
Break even sales/sf			\$138	\$214	\$205	\$226
Equipment/construction costs	\$40,000	\$30,000	\$40,000	\$40,000	\$15,000	\$165,000
Working Capital	\$25,000	\$35,000	\$35,000	\$35,000	\$20,000	\$150,000
Total start-up costs	\$65,000	\$65,000	\$75,000	\$75,000	\$35,000	\$315,000
Tenant allowance	\$25,000	\$20,000	\$30,000	\$30,000	\$15,000	\$120,000
Tenant contribution	\$40,000	\$45,000	\$45,000	\$45,000	\$20,000	\$195,000
Cost of capital	7.5%	5				
Loan term						